

Microsoft Corporation v Tokyo Micro-Soft (M) Sdn Bhd

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HIGH COURT (KUALA LUMPUR) — CIVIL SUIT NO D4-22-4774
OF 1998

ABDUL WAHAB PATAIL J

7 MAY 2008

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Copyright — Computer programs — Infringement of — Computer sold contained infringing software — Copyright owned by plaintiff — Whether infringing software could have been installed on computer while in custody of plaintiff's lawyers — Whether evidence against one single sale can justify exemplary or punitive damages

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Trade Marks — Passing off — Reputation and goodwill — Whether plaintiff suffered or likely to suffer damage

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On 7 May 1998, the defendant sold a computer to Ng Pey Yoke ('Ng'), an agent and a private investigator hired by the plaintiff to carry out a trap purchase at the defendant's premises. The computer purchased from the defendant was taken and left at Messrs Raja Darryl & Loh, the plaintiff's then solicitors. Seven months later, the computer was inspected for copyright infringement by an agent commissioned by the plaintiff namely one Siva Das Periasamy ('Siva'). His inspection revealed that copies of Microsoft Windows 95, an operating system software, and Microsoft Office 97 Professional Edition, an application software, which copyright belongs to the plaintiff were stored in the said computer purchased from the defendant. The plaintiff sought, inter alia, an injunction to restrain the defendant or its servants or agents from infringing the plaintiff's copyright in the literary works and passing off or attempting to pass off the business of the defendant as and for the business of the plaintiff or connected to or associated with the plaintiff by the use of or in connection therewith the name style and title of 'Tokyo Micro-Soft (M) Sdn Bhd'. Further, an order that the defendant to change its company's name by taking immediate steps to effect such change with the Registry of Companies. The only issue in this case was whether the one computer that the defendant sold to Ng contained infringing software the copyright of which was owned by the plaintiff.

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Held, allowing the application with costs:

- (1) There was little to doubt Ng's evidence that she turned over the

- A computer to the plaintiff's solicitors, Messrs Raja Darryl & Loh. In the course of their legal work, advocates and solicitors take custody of evidence to verify evidence to be used in legal proceedings. Handling in the performance of their legal functions by lawyers alone was not sufficient to cast a doubt whether it was the same computer. To say that
- B the infringing software could have been installed on the computer while in the custody of the plaintiff's lawyers was an accusation of high professional impropriety requiring evidence of substance (see para 12).
- (2) Since Siva's competence was not challenged, there was no reason to hold he was not competent. The mere fact he was commissioned by the plaintiff was not sufficient, without more to reject his evidence. There was no application to have the computer examined by an independent expert. Bearing in mind that the defendant had not concerned itself to show that the computer it sold to Ng was for any other purpose, the court accepted that at least upon a balance of probabilities, the computer examined by Siva was the very same purchased by Ng and delivered to the plaintiff's solicitors. However the evidence against the defendant of one single sale could not justify exemplary or punitive damages (see paras 13 & 15).
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- E (3) The plaintiff was the owner of the various trademarks incorporating the word 'Microsoft' ('Microsoft Marks') and it had been using the Microsoft Marks to promote its goods in Malaysia since 1987. The plaintiff had acquired valuable goodwill and reputation in the Microsoft Marks. By the plaintiff's world wide reputation as a leading software vendor, the Microsoft have become distinctive of the plaintiff in the Malaysian market. Information readily available in the public domain show that Microsoft, the company was set up by its founder sometime in 1979 and Microsoft Japan is owned by Microsoft (see para 17).
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- G (4) The word 'Microsoft' is not only a word but is by now a mark irretrievably associated with the plaintiff company. The word Microsoft did not exist before 1979. It came into existence with the plaintiff's name. The defendant trading as 'Tokyo Micro-Soft (M) sdn Bhd' had nothing to do with Microsoft Japan. The words Micro and Soft, whether joined together or separated by a hyphen are pronounced the same and convey to the public an association with the plaintiff. The concern was that the public may be misled. This was underscored by the basis of this case of the trap purchase of a computer from the defendant in which was found an operating system software and application software registered to 'Tokyo Micro-Soft' (see para 17).
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[Bahasa Malaysia summary]

Pada 7 Mei 1998, defendan telah menjual sebuah komputer kepada Ng Pey

Yoke ('Ng'), seorang ejen dan penyiasat persendirian yang diupah oleh plaintif untuk menjalankan pembelian perangkap di premis-premis defendan. Komputer yang dibeli daripada defendan telah dibawa dan ditempatkan di Messrs Darryl & Loh, peguamcara plaintif pada ketika itu. Tujuh bulan kemudian, komputer telah diperiksa untuk pelanggaran hak cipta oleh agen yang ditauliahkan oleh plaintif iaitu Siva Das Periasamy ('Siva'). Pemeriksaannya mendedahkan bahawa salinan-salinan Microsoft Windows 95, perisian sistem operasi, dan Microsoft Office 97 Professional Edition, aplikasi perisian, yang hak ciptanya adalah kepunyaan plaintif telah disimpan dalam komputer tersebut yang dibeli daripada defendan. Plaintif memohon, antara lain, injunksi bagi menahan defendan dan pekerja-pekerjanya atau agen-agensya dari mencabuli hak cipta plaintif dalam karya sastera dan kelirupaan atau cubaan kelirupaan perniagaan defendan dan untuk perniagaan plaintif atau yang ada kaitan atau dikaitkan dengan plaintif dengan penggunaan atau berkenaan nama gaya dan gelaran 'Tokyo Micro-Soft (M) Sdn Bhd'. Selanjutnya, satu perintah bahawa defendan hendaklah menukar nama syarikatnya dengan mengambil langkah segera iaitu membuat perubahan dengan Pendaftar Syarikat. Isu dalam kes ini adalah sama ada satu-satunya komputer yang telah dijual oleh defendan kepada Ng mengandungi pelanggaran perisian hak cipta yang dimiliki oleh plaintif.

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Diputuskan, membenarkan permohonan dengan kos:

- (1) Tiada apa yang perlu diragukan tentang keterangan Ng bahawa beliau menyerahkan komputer kepada peguamcara plaintif, Messrs Raja Darryl & Loh. Dalam kerja-kerja perundangan mereka, peguambela dan peguamcara yang menjaga bukti bagi pengesahan bukti yang akan digunakan dalam prosiding perundangan. Pengendalian dalam prestasi fungsi-fungsi perundangan oleh peguam-peguam sahaja tidak memadai bagi menimbulkan keraguan sama ada ia adalah komputer yang sama. Untuk mengatakan pelanggaran perisian mungkin telah dipasang semasa dalam jagaan peguam-peguam plaintif adalah tuduhan besar professional yang salah dan memerlukan keterangan yang kukuh (lihat perenggan 12).
- (2) Memandangkan kebolehan Siva tidak dicabar, tiada sebab untuk mengatakan beliau tidak berkebolehan. Fakta sahaja bahawa beliau ditauliahkan oleh plaintif adalah tidak mencukupi, tanpa perlu menolak keterangannya. Tiada aplikasi yang membolehkan komputer diperiksa oleh seorang pakar bebas. Harus diingat bahawa defendan tidak mengambil berat untuk menunjukkan bahawa komputer yang dijual kepada Ng adalah untuk tujuan lain, mahkamah menerima sekurang-kurangnya atasimbangan kebarangkalian, komputer yang

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- A diperiksa oleh Siva adalah yang sama dibeli oleh Ng dan diserahkan kepada peguamcara plaintif. Walau bagaimanapun keterangan terhadap defendan bagi satu jualan tidak boleh memberikan asas untuk gantirugi-gantirugi teladan dan punitif (lihat perenggan 13 & 15).
- B (3) Plaintif merupakan pemilik kepada beberapa tanda dagangan yang menggunakan perkataan 'Microsoft' ('tanda dagangan Microcoft') dan ia telah menggunakan tanda dagangan Microcoft untuk mempromosikan barangannya di Malaysia sejak 1987. Plaintif telah memperolehi nama baik dan reputasi dalam tanda dagangan Microcoft.
- C Dengan reputasi plaintif yang merentasi dunia sebagai penjual utama perisian, Microsoft telah mempunyai ciri tersendiri kepada plaintif dalam pasaran Malaysia. Maklumat boleh didapati dalam pemikiran awam menunjukkan bahawa Microsoft, syarikat yang telah ditubuhkan oleh pengasasnya sekitar 1979 dan Microsoft Jepun dimiliki oleh Microsoft (lihat perenggan 17).
- D (4) Perkataan 'Microsoft' bukan hanya sebuah perkataan tetapi kini adalah tanda yang tidak boleh tidak dikaitkan dengan syarikat plaintif. Perkataan Microsoft tidak wujud sebelum 1979. Ia wujud dengan nama plaintif. Defendan yang berniaga sebagai 'Tokyo Micro-Soft (M) Sdn Bhd' tidak mempunyai perkaitan dengan Microsoft Japan.
- E Perkataan-perkataan Micro dan Soft, sama ada dicantumkan bersama atau diasingkan oleh tanda sempang bila disebut adalah sama dan memberikan orang awam kaitannya dengan plaintif. Apa yang dibimbangkan adalah orang awam akan terpedaya. Ia adalah penegasan kerana kes ini adalah pembelian perangkat komputer daripada defendan yang mana telah mendapati perisian sistem operasi dan aplikasi perisian telah didaftarkan kepada 'Tokyo Micro-Soft' (lihat perenggan 17).]
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G Notes

For cases on infringement of computer programs, see 3(2) *Mallal's Digest* (4th Ed, 2006 Reissue) paras 5589–5590.

For a case on reputation and goodwill, see 12 *Mallal's Digest* (4th Ed, 2005 Reissue) para 2080.

H**Cases referred to**

Caterpillar Tractor Co v Hock Guan [1960] Sdn Bhd [1988] 1 CLJ 424 (Rep) (refd)

Newsweek Inc v British Broadcasting Corp [1979] RPC 441 (refd)

I *Showehngs Ld v Fern Vale Brewery Coy Ld and Others* [1958] RPC 484 (refd)

Peh Khaik Kew (BK Teo & Azrul Hamid with him) (Wong Jin Nee & Teo) for the plaintiff.

Ravi Nekoo (Parames with him) (The Chambers of Jag Ramachandran) for the defendant.

Abdul Wahab Patail J:

[1] This case involved two main issues, being copyright infringement and 'passing off'.

BACKGROUND FACTS

[2] On 7 May 1998, the defendant sold a computer to an agent of the plaintiff, one Ng Pey Yoke. Ng Pey Yoke is a private investigator hired by the plaintiff to carry out a trap purchase at the defendant's premises. The computer purchased from the defendant was taken and left at Messrs Raja Darryl & Loh, the plaintiff's then solicitors. Seven months later, the computer was inspected for copyright infringement by an agent commissioned by the plaintiff namely one Siva Das Periasamy. The verdict of Siva Das Periasamy was that his inspection revealed that copies of Microsoft Windows 95, an operating system software, and Microsoft Office 97 Professional Edition, an application software, which copyright belongs to the plaintiff were stored in the said computer purchased from the defendant.

THE ORDERS SOUGHT

[3] The plaintiff sought:

- 1 An injunction to restrain the defendant whether acting by itself, its servants or agents or any of them or otherwise howsoever from doing or enabling others to do any of the following acts:
 - 1.1. infringing the plaintiffs copyright in the literary works in the form of:
 - 1.1.1 the plaintiffs computer programs MICROSOFT WINDOWS 95 and MICROSOFT OFFICE 97 (hereinafter the aforementioned computer programs shall be referred to as the 'WORKS'); and
 - 1.1.2 various versions of the plaintiffs computer programs as specified in Schedule 1 hereto ('hereinafter the aforementioned literary works shall be collectively referred to as the 'FURTHER WORKS') by doing or causing others to do the following acts or any of them, that is to say;
 - 1.1.3 reproducing and/or substantially reproducing the WORKS and/or causing others to reproduce and/or substantially reproduce the WORKS (hereinafter referred to as the INFRINGING WORKS); and/or

- A** 1.1.4 reproducing and/or substantially reproducing the FURTHER WORKS and/or causing others to reproduce and/or substantially reproduce the FURTHER WORKS; and/or
- B** 1.1.5 distributing any work being or containing an unauthorised reproduction and/or substantial reproduction of the WORKS and/or FURTHER WORKS to the public by sale, rental, lease or lending; and/or
- C** 1.1.6 distributing any of the WORKS and/or FURTHER WORKS to the public by way of sale, rental, lease or lending without the express authority or consent of the plaintiff; and/or
- D** 1.1.7 disposing/destroying, hiding or parting with power, possession, custody or control to anyone other than to the plaintiff's solicitors the INFRINGING COPIES and/or unauthorised reproduction and/or substantial reproduction of the FURTHER WORKS and/or copies of the WORKS and/or FURTHER WORKS.
- E** passing off or attempting to pass off and/or causing, enabling or assisting others to pass off the business of the defendant as and for the business of the plaintiff or connected to or associated with the plaintiff by the use of or in connection therewith the name style and title of 'Tokyo Micro-Soft (M) Sdn Bhd' or any name style or title which includes the word 'Microsoft', 'MS-DOS', WINDOWS NT; WINDOWS and/or the logo described as the FLAG DESIGN or
- F** any colourable imitation thereof.
- G** printing or employing the work 'Microsoft', 'MS-DOS', 'WINDOWS NT', 'WINDOWS' and/or the logo described as the FLAG DESIGN and/or any colourable imitation thereof upon any advertisement, notice, signboard, paper, stationery, memorandum or document or otherwise as part of or in connection with the defendant's business.
- H** 2 that the defendant is further order to change its company name by taking immediate steps to lodge the necessary documentation to effect such change with the Registry of Companies and furnish proof of such change to the plaintiff within 30 days from the date of this order;
- I** 3 the defendant whether acting by itself, its servants or agents or any of them howsoever or otherwise do within seven days from the date of this order deliver up and surrender to the plaintiffs solicitors, their servants or agents all the infringing copies, copies of unauthorised reproductions and/or substantial reproductions of the FURTHER WORKS and/or copies of the WORKS and/or FURTHER WORKS which are in the possession, custody or control of the defendant, its servants or agents or any of them or otherwise;

- 4 an inquiry as to damages for infringement of copyright and passing-off or at the plaintiff's option an account of profits and payment of all sums found due from the defendant to the plaintiff upon taking such inquiry or account; A
- 5 additional and/or exemplary damages; B
- 6 interest on all sums found to be due to the plaintiff at such rate and for such periods as this honourable court deems fit;
- 7 costs; and
- 8 further or other relief or direction as this honourable court may deem fit. C

DEFENCE IN RESPECT OF COPYRIGHT INFRINGEMENT

[4] It was submitted the defendant was never notified of the trap purchase until the writ was served on them nine months later. It was submitted it was prejudicial that the letter of demand sent by Messrs Raja Darryl & Loh earlier only said that they have 'solid evidence'. Exception was taken that the computer lay in the offices of Messrs Raja Darryl & Loh for seven months before the inspection by Siva Das Periasamy. Exception was also taken to the fact that Siva Das Periasamy was an agent of the plaintiff. D
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[5] The defence sought to doubt the credibility of Ng Pey Yoke, the private investigator. This, they sought to do on the basis Ng Pey Yoke claimed to be an investigator employed by Kawalan Keselamatan BG Sdn Bhd in her statutory declaration affirmed by her on 23 June 1999, yet in her witness statement she gave evidence in court that she is a director of Randall Gateskill Risk Sdn Bhd and she has an arrangement with Kawalan Keselamatan BG Sdn Bhd whereby Kawalan Keselamatan would act as an investigating arm of Randall Gateskill. It was submitted that this cannot be true because Ng Pey Yoke had only consented to become a director of Randall Gateskill Sdn Bhd on 6 August 1998. The trap purchase was done sometime on 7 May 1998 ie, earlier than the time she became the director of Randall Gateskill. Hence, it was submitted, her claim of having 'an arrangement' with Kawalan Keselamatan BG Sdn Bhd as director of Randall Gateskill is highly contentious. Further, it was submitted, En Jamaluddin, the General Manager of Kawalan Keselamatan BG Sdn Bhd has confirmed by way of his letter dated 12 May 1999 that he did not know anything about Randall Gateskill Sdn Bhd. Counsel for the defendant: F
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... The plaintiff's demand that only licensed software are sold and bought is certainly not based on a moral turpitude but more on commercial gain. That is why they went on to use an unlicensed private investigator masquerading as a licensed private investigator without having any 'moral headaches or heartaches'.

- A What matters most to the plaintiff, it would seem, that others must follow the laws but when it comes to them they can flout it. It would seem that they would do anything to make profits including an attempt to elicit the sum of RM25,000 arbitrarily from the defendant without even investigating the matter though Karen Toh had promised that the plaintiff would investigate the matter.
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- C [6] The defendant Tokyo Micro-soft (M) Sdn Bhd had also filed a counter claim based on a letter dated 2 June 1998 issued by the then plaintiff's solicitors, Messrs Raja Darryl & Loh, whereby the plaintiff had, through their solicitors, alleged the two issues of copyright infringement and passing off and required the plaintiff to sign a letter of undertaking requiring the defendant to pay their solicitors the sum of RM25,000 as damages. The defendant contended that the letter dated 2 June 1998 and its accompanying letter of undertaking amounts to wanton, reckless and deceptive tactics and contains malicious falsehoods made in order to crush the defendant's business.
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- E [7] It is further observed that the plaintiff's case relied upon one single trap purchase. The defendant relied upon *Caterpillar Tractor Co v Hock Guan [1960] Sdn Bhd* [1988] 1 CLJ 424 (Rep) where Mahadev Shankar J (as he then was) had this to say of a single trap purchase:
- F Even the unrebutted evidence of the plaintiffs in the present case only relates to the single trap purchase which they made. That one piston cannot in my view be made the basis of an assumption that everything the defendants have sold (without any evidence as to what this is) were all spurious products which had infringed the plaintiffs trademark.
- G [8] The defendant also prevailed upon *Showehngs Ld v Fern Vale Brewery Coy Ld and Others* [1958] RPC 484 at p 486 where the court held:
- H It seems to be quite correct, as urged by Mr Aldous, that it was not right to launch a motion of this sort on one single isolated incident; plaintiffs were bound to test the matter by several visits to the Red Cow to see whether there was simply one mistake, or a regular practice, and after they had done that, they were entitled to consult their legal advisers both before the motion was launched and before a letter was written to the Solicitors acting for the defendants.
- I [9] Even in the late fifties the Microsoft operating system had not been created. Indeed, the personal computer had not been invented yet. While one incident in the fifties might have been a mistake, such a conclusion does not necessarily hold on the nineties when copyright infringement of computer operating systems had become so embarrassingly rampant as to develop into the subject of international accords to deal with the menace. It is now such that if a retailer is found having sold a computer or disc with an infringing

copy of the Microsoft software, it warrants orders essentially requiring the retailer not to do it again in any form or manner. This is to be distinguished from a case where a claim is made by a purchaser of having been supplied with fake products when he can only prove that only one of the products is a fake.

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[10] Nor does the argument of commercial gain find much favour. The plaintiff as the owner of the Microsoft operating systems are entitled to protect their commercial interests, to demand that only licensed software are distributed. On the contrary, in the age of research and invention, it is the business of distributing products without the licence of the copyright owner that is fraught with moral turpitude. Be that as it may, moral turpitude is not the issue in this case.

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[11] The order sought as to damages is an inquiry or an account on the sale of infringing copies of the plaintiffs software. Hence, the court is not concerned here with the sum of RM25,000 which might likely have been the cheaper option had the defendant accepted it.

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[12] The only question is whether the one computer that the defendant sold to Ng Pey Yoke contained infringing software the copyright of which is owned by the plaintiff. Seeking to throw doubt upon the evidence of Ng Pey Yoke on the ground whether she is a licensed investigator or not, was an investigator with Kawalan Keselamatan BG Sdn Bhd, are irrelevant and beside the point. It does not matter who she was. The issue is whether the defendant sold the computer to Ng Pey Yoke. Of that there is little doubt. There is little to doubt her evidence that she turned over the computer to the plaintiffs solicitors Messrs Raja Darryl & Loh. In the course of their legal work, advocates and solicitors take custody of evidence to verify evidence to be used in legal proceedings. Handling in the performance of their legal functions by lawyers alone is not sufficient to cast a doubt whether it is the same computer. To say that the infringing software could have been installed on the computer while in the custody of the plaintiff's lawyers is an accusation of high professional impropriety requiring evidence of substance.

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[13] The next objection for the defendant is that the evidence of Siva Das Periasamy was to be doubted because he was commissioned by the plaintiff. His competence was not challenged. There is no reason to hold he was not competent. The mere fact he was commissioned by the plaintiff is not sufficient, without more to reject his evidence. There was no application to have the computer examined by an independent expert.

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[14] The evidence of Siva Das Periasamy is that the computer's system properties screen showed that the software was registered to 'TOKYO

- A** MICRO-SOFT' and the words 'This product is licensed to TOKYO MICRO-SOFT Product ID 53488-415-0287056-34459' appeared therein. That clearly was a program sold to and registered in the name of the defendant. No explanation was ventured how this could be in the computer sold to Ng Pey Yoke and viewed by Siva Das Periasamy. As this was a trap case, Ng Pey Yoke would hardly have paid a substantial sum for a computer without at least an operating system software if not with an application software also. There is also no reason even suggested by the defendant as to why the plaintiff should go to all the trouble to destroy the business of the defendant if its business was micro devices and computers without operating system and application software.

- D** [15] Considering the above, and bearing in mind the defendant had not concerned itself to show that the computer it sold to Ng Pey Yoke was for any other purpose, for example, that does not require a Microsoft operating system and/or the office software collection known as Microsoft Office 97 Professional Edition, the court accepts that at least upon a balance of probabilities, the computer examined by Siva Das Periasamy was the very same computer purchased by Ng Pey Yoke and delivered to Messrs Raja Darryl & Loh. However, the evidence against the defendant of one single sale cannot justify exemplary or punitive damages.

PASSING-OFF

- F** [16] The plaintiff's cause of action in passing off is based upon the use by the defendant of the words 'MICRO-SOFT' in its name. The issues are:
- G** (a) whether the defendant in carrying on business under the trade name 'Tokyo Micro-soft (M) Sdn Bhd' is guilty of passing-off?
- (b) Whether the plaintiff has suffered damage or is likely to suffer damage as a result of the defendant's use in business of the trade name 'Tokyo Micro-soft (M) Sdn Bhd'?

- H** [17] The plaintiff is a world renowned software developer and vendor. The plaintiff is the owner of the various trade marks incorporating the word 'Microsoft' ('the Microsoft Marks') and it has been using the Microsoft Marks to promote its goods in Malaysia since 1987. The Microsoft Marks have become distinctive of the plaintiff in the Malaysian market. The plaintiff has acquired valuable goodwill and reputation in the Microsoft Marks. By the plaintiff's worldwide reputation as a leading software vendor, the Microsoft have become distinctive of the plaintiff in the Malaysian market. Information readily available in the public domain show that Microsoft, the company was set up by its founder sometime in 1979 and Microsoft Japan is owned by Microsoft. The word 'Microsoft' is not only a word but is by now a mark

irretrievably associated with the plaintiff company. The word Microsoft did not exist before 1979. It came into existence with the plaintiffs name. In this it is distinguishable from *Newsweek Inc v British Broadcasting Corporation* [1979] RPC 441. The defendant, trading as 'Tokyo Micro-Soft (M) Sdn Bhd' has nothing to do with Microsoft Japan. While the involvement of a Japanese as a director and customised software for micro devices in Malaysia may explain and justify the choice of the name 'Tokyo Micro-Soft (M) Sdn Bhd', the fact remains that the words Micro and Soft, whether joined together or separated by a hyphen are pronounced the same and convey to the public an association with the plaintiff. The concern is that the public may be misled. This is underscored by the basis of this case of the trap purchase of a computer from the defendant in which was found an operating system software and application software registered to 'Tokyo Micro-soft'.

[18] For the foregoing reasons, judgement was entered for the plaintiff in terms of prayer 1, 2, 3, 4, 6 and 7, and the defendant's counter claim was dismissed with costs.

Plaintiff's application allowed with costs.

Reported by Ashgar Ali Ali Mohamed

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